

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease), as amended, entered into with

VETERAN MEMORIAL CENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 00-17735, hereby consents to that certain Sublease Agreement (Sublease) dated September 1, 2004, attached hereto, between the above LESSEE (SUBLESSOR) and

SAN DIEGO COUNCIL OF THE NAVY LEAGUE

(SUBLESSEE). The Sublease shall be subordinate to the Master Lease in all respects. CITY is merely approving SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

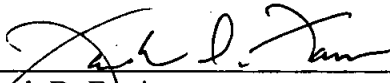
In addition, this consent is subject to the following conditions:

1. ASSIGNMENT AND SUBLEASING: SUBLESSEE shall not assign the Sublease or sublet the subleased premises or any part thereof without the prior written consent of CITY. An assignment by operation of law shall automatically terminate the Sublease.
2. HOLD HARMLESS: SUBLESSEE shall assume the defense of, indemnify, and hold harmless CITY, its elected officials, officers, employees, agents, and representatives from all claims, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the subleased premises, the condition of the subleased premises, or from any act or omission of SUBLESSEE, its agents and invitees; provided, however, SUBLESSEE'S duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of CITY, its elected officials, officers, employees, agents, and representatives.
3. INSURANCE: SUBLESSEE shall be insured by an insurance carrier acceptable to CITY against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be two million dollars (\$2,000,000) combined single limit liability. A copy of the policy of insurance shall be filed with CITY and shall name "The City of San Diego, its elected officials, officers, employees, agents, and representatives" as additional insureds. The policy shall specify that the policy may not be terminated, altered, or canceled without thirty (30) days prior written notice to CITY by the insurance company.

4. LEGAL PROCEEDINGS: Should it become necessary for CITY to commence legal proceedings to collect rent, recover possession, or enforce any other provision of this consent, the prevailing party shall be entitled to an award of reasonable legal costs, including court and attorneys' fees.
5. PERMITTED USE: SUBLESSOR and SUBLESSEE agree that use of the subleased premises shall be limited to office space of SUBLESSEE.
6. ASSUMPTION: SUBLESSEE agrees to assume the rights and obligations of the Master Lease and to keep and perform all covenants, conditions, and provisions of the Master Lease which are applicable to the rights acquired.

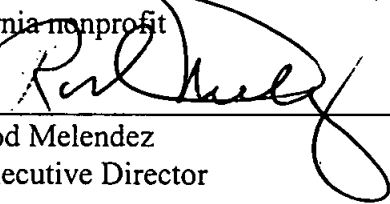
THE CITY OF SAN DIEGO

Date 1/27/05

By 
Jack D. Farris
Deputy Director, Real Estate Assets Department

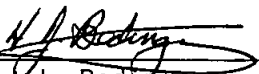
VETERAN MEMORIAL CENTER, INC., a
California nonprofit

Date 8 Nov 2004

By 
Rod Melendez
Executive Director

SAN DIEGO COUNCIL OF THE NAVY LEAGUE,
a California nonprofit corporation

Date 19 NOV 2004

By 
H. J. Bedinger
Executive Director

APPROVED AS TO FORM AND LEGALITY:

MICHAEL J. AGUIRRE, City Attorney

Date 1/28/05

By 
Deputy City Attorney

PC/cdj

11/03/04

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CITY OF SAN DIEGO
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REAL ESTATE ASSETS DEPT.

**Veterans Memorial Center, Inc.
Sublease Agreement**

This Commercial Sublease Agreement ("Lease") is made and effective 1Sep04, by and between Veterans Memorial Center, Inc. ("Landlord or Lessee") and San Diego Council of the Navy League, ("Tenant or Sublessee").

Landlord is the lessee of land and improvements commonly known and numbered as Veterans Museum and Memorial Center, 2115 Park Blvd. (Building 149), San Diego, CA 92101.

Landlord makes available for Sublease a portion of the Building designated as "Downstairs Office Suite in the Southwest Corner of Building 149, (approximately 800 sq. ft.).

Landlord desires to Sublease the Leased Premises to Tenant, and Tenant desires to Sublease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions herein set forth.

This agreement is in effect a sublease of a portion of the a portion of the premises covered by that certain Lease Agreement dated 21 January 1992, as amended 27 July 1992 between the sublessor herein and the City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

THEREFORE, in consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. Term.

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" beginning 1 Sept, 2004 and ending 31 August 2006. Landlord shall use its best efforts to give Tenant possession as nearly as possible at the beginning of the Sublease term. If Landlord is unable to timely provide the Leased Premises, rent shall abate for the period of delay. Tenant shall make no other claim against Landlord for any such delay.

B. Tenant may renew the Sublease for one extended term of two years. Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than ninety (90) days prior to the expiration of the Initial Term. The renewal term shall be at the rental set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease.

C. The rental for any renewal Sublease term, if created as permitted under this Lease, shall be for \$3000 per year payable in installments of a \$250 per month.

2. Rental.

A. Tenant shall pay to Landlord during the Initial Year rental of \$2,800, payable in installments of \$200 (Sept - Dec 04), and \$250 Jan - Aug 05) per month. Beginning in September 2005 the Annual Rent will increase to \$3,000 per year payable in installments of \$250 per month. Each installment payment shall be due in advance on the first day of each calendar

month during the Sublease term to Landlord at 2115 Park Blvd., San Diego, CA 92101 or at such other place designated by written notice from Landlord or Tenant. The rental payment amount for any partial calendar months included in the Sublease term shall be prorated on a daily basis.

B. A one-time processing fee for sublease charged by the City of San Diego is \$600, payable to the "City Treasurer," will be split 50-50 between the Landlord and the Tenant. This fee is due prior to processing the lease with the City of San Diego.

3. Use

Notwithstanding the forgoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

4. Sublease and Assignment.

Sublessee shall not assign the sublease or sublet the premises or any part thereof without written consent of the Lessee and the City of San Diego. An assignment by operation of law shall automatically terminate this lease.

5. Repairs.

During the Sublease term, Tenant shall make, at Tenant's expense, all necessary repairs to the Leased Premises. Repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the Leased Premises damaged or worn through normal occupancy, except for major mechanical systems or the roof, subject to the obligations of the parties otherwise set forth in this Lease.

6. Alterations and Improvements.

Tenant, at Tenant's expense, shall have the right following Landlord's consent to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Leased Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Sublease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Sublease provided that all damage to the Leased Premises caused by such removal shall be repaired by Tenant at Tenant's expense.

7. Insurance.

A. If the Leased Premises or any other part of the Building is damaged by fire or other casualty resulting from any act or negligence of Tenant or any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be

responsible for the costs of repair not covered by insurance.

B. Landlord shall maintain fire and extended coverage insurance on the Building and the Leased Premises in such amounts as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

C. Tenant and Landlord shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the respective activities of each in the Building with the premiums thereon fully paid on or before due date, issued by and binding upon some insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$2,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. The Insurance carrier must be acceptable to the Veterans Museum and Memorial Center and the City of San Diego. Landlord and "The City of San Diego" shall be listed as additional insured on Tenant's policy or policies of comprehensive general liability insurance, and Tenant shall provide Landlord and the City of San Diego with current Certificates of Insurance evidencing Tenant's compliance with this Paragraph. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord and the City of San Diego that a policy is due to expire at least (10) days prior to such expiration. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the City of San Diego by the insurance company. Landlord shall not be required to maintain insurance against thefts within the Leased Premises or the Building.

8. Hold Harmless.

Sublessee shall assume the defense of, indemnify and hold harmless Lessee and the City of San Diego from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises, the condition of the premises or from any act or omission of Sublessee, his agents and invitees; provided, however, Sublessee's duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of the City of San Diego, its agents, officers, or employees.

9. Legal Proceedings.

Should it become necessary for Lessee or City of San Diego to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this consent, the prevailing party shall be entitled to an award of reasonable legal costs including court costs and attorneys' fees.

10. Utilities.

Tenant shall pay all charges for water, sewer, gas, electricity, telephone and other services and utilities used by Tenant on the Leased Premises during the term of this Sublease unless otherwise expressly agreed in writing by Landlord. In the event that any utility or service provided to the Leased Premises is not separately metered, Landlord shall pay the amount due and separately invoice Tenant for Tenant's pro rata share of the charges. Tenant shall pay such amounts within fifteen (15) days of invoice. Tenant acknowledges that the Leased Premises are designed to

provide standard office use electrical facilities and standard office lighting. Tenant shall not use any equipment or devices that utilizes excessive electrical energy or which may, in Landlord's reasonable opinion, overload the wiring or interfere with electrical services to other tenants.

11. Signs.

Following Landlord's consent, Tenant shall have the right to place on the Leased Premises, at locations selected by Tenant, any signs which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises or use of any other tenant. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage to the Leased Premises resulting from the removal of signs installed by Tenant.

12. Entry.

Landlord shall have the right to enter upon the Leased Premises at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

13. Parking.

During the term of this Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways, and footways, subject to rules and regulations for the use thereof as prescribed from time to time by Landlord.

14. Damage and Destruction.

Subject to Section 8 A. above, if the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects that the same cannot be used for Tenant's purposes, then Tenant shall have the right within ninety (90) days following damage to elect by notice to Landlord to terminate this Sublease as of the date of such damage. In the event of minor damage to any part of the Leased Premises, and if such damage does not render the Leased Premises unusable for Tenant's purposes, Landlord shall promptly repair such damage at the cost of the Landlord. In making the repairs called for in this paragraph, Landlord shall not be liable for any delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labor or other matters which are beyond the reasonable control of Landlord. Tenant shall be relieved from paying rent and other charges during any portion of the Sublease term that the Leased Premises are inoperable or unfit for occupancy, or use, in whole or in part, for Tenant's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payments, if any, but if no further payments are to be made, any such advance payments shall be refunded to Tenant. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond Tenant's reasonable control and which renders the Leased Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for Tenant's purposes.

15. Default.

If default shall at any time be made by Tenant in the payment of rent when due to Landlord as herein provided, and if said default shall continue for fifteen (15) days after written notice thereof shall have been given to Tenant by Landlord, or if default shall be made in any of the other covenants or conditions to be kept, observed and performed by Tenant, and such default shall continue for thirty (30) days after notice thereof in writing to Tenant by Landlord without correction thereof then having been commenced and thereafter diligently prosecuted, Landlord may declare the term of this Sublease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may reenter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages.

16. Quiet Possession.

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

17. Condemnation.

If any legally, constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for leasing, this Sublease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. Notice.

Any notice required or permitted under this Sublease shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Landlord to:

Veterans Memorial Center Inc.
2115 Park Blvd., San Diego, CA 92101

If to Tenant to:

San Diego Council, Navy League
2115 Park Blvd., San Diego, CA 92101

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

19. Waiver.

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to

take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

20. Memorandum of Lease.

The parties hereto contemplate that this Sublease should not and shall not be filed for record, but in lieu thereof, at the request of either party, Landlord and Tenant shall execute a Memorandum of Sublease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

21. Headings.

The headings used in this Sublease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

22. Successors.

The provisions of this Sublease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

23. Consent.

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

24. Performance.

If there is a default with respect to any of Landlord's covenants, warranties or representations under this Lease, and if the default continues more than fifteen (15) days after notice in writing from Tenant to Landlord specifying the default, Tenant may, at its option and without affecting any other remedy hereunder, cure such default and deduct the cost thereof from the next accruing installment or installments of rent payable hereunder until Tenant shall have been fully reimbursed for such expenditures, together with interest thereon at a rate equal to the lesser of twelve percent (12%) per annum or the then highest lawful rate. If this Sublease terminates prior to Tenant's receiving full reimbursement, Landlord shall pay the unreimbursed balance plus accrued interest to Tenant on demand.

25. Compliance with Law.

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

26. Final Agreement.

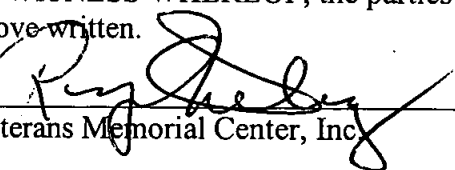
This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

Veterans Memorial Center Inc., Sublease Agreement

37. Governing Law.

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Sublease as of the day and year first above-written.


Veterans Memorial Center, Inc. Date 1 Aug 04


San Diego Council of the Navy League Date August 1, 2004